

Message Text

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ACTION NEA-09

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E.O. 11652: N/A

TAGS: EINV, BTIO, BG

SUBJ: IMPROVED INVESTMENT CLIMATE?

REF: A. DACCA 0434 B. DACCA 0384 C. DACCA 0043 D. DACCA 5338

E. DACCA A-42, JULY 18, 1974

SUMMARY: SINCE THE JULY 1974 ANNOUNCEMENT OF BANGLADESH'S NEW INVESTMENT POLICY, THE BDG HAS REPEATEDLY DEMONSTRATED ITS INTEREST IN IMPROVING THE CLIMATE FOR PRIVATE, INCLUDING FOREIGN PRIVATE, INVESTMENT IN BANGLADESH. INTEREST HAS ALSO INCREASED ON THE US SIDE. THE EMBASSY HAS RECENTLY BEEN APPROACHED BY TWO US BUSINESSMEN INTERESTED IN INVESTMENT IN BANGLADESH. IN ADDITION, TWO US PHARMACEUTICAL COMPANIES CURRENTLY OPERATING FACTORIES IN BANGLADESH HAVE TOLD US CONFIDENTIALLY OF THEIR PLANS TO INCREASE THEIR INVESTMENT HERE AND, OF COURSE, THREE US OIL COMPANIES SIGNED EXPLORATION/PRODUCTION CONTRACTS WITH THE BDG IN SEPTEMBER. END SUMMARY.

1. THE BDG'S NEW INVESTMENT POLICY, ANNOUNCED IN JULY 1974, CONSIDERABLY EXPANDED THE SCOPE FOR FOREIGN PRIVATE INVESTMENT IN BANGLADESH (REF E). SINCE THAT TIME THE BDG HAS:

(A) ALLOWED SEVERAL FOREIGN COMPANIES, INCLUDING PFIZER AND INTERNATIONAL TANK TERMINALS, TO REMIT PROFITS AND DIVIDENDS AS REQUESTED;

(B) CONCLUDED THE OPIC AGREEMENT (REF B);

(C) GIVEN STRONG BACKING TO A US FIRM (SQUIBB) INVOLVED IN A LIMITED OFFICIAL USE

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RECENT LABOR DISPUTE;

(D) MOVED TOWARD COMPENSATION FOR NATIONALIZED INDUSTRIES
(REF C);

(E) CONTINUED ITS EFFORT TO DISINVEST, BY SALE TO HIGHEST
PRIVATE BIDDER, CERTAIN ABANDONED PROPERTIES TAKEN OVER IN
EARLY 1972;

(F) EXPRESSED INTEREST IN ATTRACTING US INVESTMENT BY CON-
DUCTING INVESTMENT SEMINARS HERE AND IN THE US;

(G) PUBLICIZED ITS INTEREST IN ATTRACTING PRIVATE INVESTMENT,
BY THE FOREIGN MINISTER'S TALK TO US NEWSMEN IN NEW YORK AND
THE PREPARATION OF SEVERAL PUBLICATIONS DIRECTED TOWARD POTEN-
TIAL INVESTORS;

(H) GENERALLY EXHIBITED AN INCREASED AWARENESS OF THE KINDS
OF THINGS THE GOVERNMENT MUST DO IN ORDER TO ATTRACT PRIVATE
INVESTMENT, INCLUDING RESPONDING FAVORABLY TO ESSO'S REQUEST FOR
BDG ACQUISITION OF ESSO'S ASSETS HERE (REF D) AND DEALING SATIS-
FACTORILY, EVEN CORDIALLY, WITH THE US OIL COMPANIES HERE.

MUCH REMAINS TO BE DONE, I.E., PAYMENT OF JUST COMPENSATION FOR
NATIONALIZED INDUSTRIES, BUT PROGRESS HAS BEEN MADE AND THE
BDG'S ATTITUDE APPEARS TO BE OPEN-MINDED AND HELPFUL.

2. DURING THE LAST 60 DAYS THE EMBASSY HAS BEEN APPROACHED BY
TWO US POTENTIAL INVESTORS, THE FIRST TO APPROACH THE EMBASSY
SINCE JUNE 1974. IN THE CASE OF EMERALD INDUSTRIES (REF A), THE
OPIC AGREEMENT WAS THE KEY ELEMENT IN THAT FIRM'S INTEREST IN
BANGLADESH. THE SECOND, A WYETH REPRESENTATIVE, INDICATED HE
EXPECTED TO RECOMMEND TO HIS DIRECTORS THAT WYETH ESTABLISH A
PLANT IN BANGLADESH.

3. BOTH US PHARMACEUTICAL COMPANIES WITH FACTORIES HERE (PFIZER
AND SQUIBB) HAVE TOLD US CONFIDENTIALLY OF THEIR PLANS TO EXPAND
SUBSTANTIALLY THEIR PRODUCTION FACILITIES IN BANGLADESH. IN EACH
CASE THE TOTAL NEW INVESTMENT WILL APPROACH \$2 MILLION WITH NEARLY
\$1 MILLION IN FOREIGN EXCHANGE. IF EITHER OR BOTH OF THESE INVEST-
MENTS ACTUALLY TAKES PLACE IT WILL BE THE FIRST US INVESTMENT IN
BANGLADESH SINCE INDEPENDENCE.

4. OIL COMPANIES. LOCAL REPS OF US OIL COMPANIES HERE INDICATE
THAT, TO DATE, THEY HAVE ENJOYED CORDIAL WORKING RELATIONSHIPS
WITH THE BDG, AND THAT PETROBANGLA OFFICIALS HAVE ACTED PROMPTLY,
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IN ACCORDANCE WITH THE CONTRACT TERMS, TO RESOLVE MINOR PROBLEMS
(E.G. IMPORT CLEARANCES OF AIR FREIGHT SHIPMENTS) WHICH HAVE
ARISEN TO DATE. HOWEVER, MAJOR POTENTIAL PROBLEMS WITH BDG, SUCH
AS IMPLEMENTING THE CONTRACT REQUIREMENT FOR TRAINING OF BENGALLEES
AND LIABILITY FOR PERSONAL INCOME TAXES OF EXPATRIATES RESIDENT
IN BANGLADESH LOOM AHEAD.

5. COMMENT. THERE HAS BEEN A DISTINCT IMPROVEMENT IN THE INVEST-

MENT CLIMATE IN BANGLADESH IN THE LAST SIX MONTHS. THERE IS STILL
AMPLE ROOM FOR FURTHER IMPROVEMENT SUCH AS COMPENSATION FOR
NATIONALIZED INDUSTRIES, SETTLEMENT OF PRE-INDEPENDENCE COMMER-
CIAL OBLIGATIONS AND SOME METHOD OF ASSURING INVESTORS OF AN
UNINTERRUPTED SUPPLY OF RAW MATERIALS. IT SEEMS TO US THE MOST
IMPORTANT ASPECT OF THE IMPROVED INVESTMENT CLIMATE TO DATE IS
THE ATTITUDE OF CONCERNED BDG OFFICIALS. FOR THE FUTURE, ACTUAL
EXPERIENCES OF US AND OTHER FOREIGN FIRMS HERE WILL BE MORE
IMPORTANT IN ATTRACTING NEW FOREIGN FIRMS, IN OUR VIEW, THAN THE
PROCLAMATION OF "NEW" INVESTMENT POLICIES OR REGULATIONS, AND
THE RECENT EXPERIENCE OF US FIRMS HERE SUGGESTS THAT BENGALIEE
OFFICIALS SEEM TO BE AWARE OF THE IMPORTANCE OF BUILDING SUCH
A RECORD OF FAIR TREATMENT.

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